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SUBJECT: PARAGUAY 2009 FISCAL TRANSPARENCY REPORT

REF: SECSTATE 16737

¶1. (U) Paraguay's commitment to fiscal transparency and accountability has improved. Information on current and past budgets is readily available on-line at the Ministry of Finance web site. All revenues and expenditures are included in the publicly available budget, accurately reflecting the government's spending programs. However, the strategic role of the budget in resource allocation is limited, and the efficiency and quality of expenditures needs improvement. There are deviations between budgeted amounts and actual expenditures, and some budget items are discretionary. Paraguay volunteered in 2006 for the International Monetary Fund (IMF) Report on the Observance of Standard and Codes (ROSC) on fiscal transparency. Citizen groups and the business community are putting increased pressure on the government for more transparency and accountability. Paraguay has managed to keep spending below revenues, registering budget surpluses since 2004.

¶2. (U) USAID promotes fiscal transparency at the central and local government levels, and fosters control and oversight mechanisms with civil society. Through the USAID-managed Millennium Challenge Corporation (MCC) Threshold Program Phase I, the USG also supports improvements in budget transparency and oversight, including the now-mandated public rendering of expenditures that all ministries conduct. US Treasury's Office of Technical Assistance (OTA) is working with the Ministry of Finance to strengthen the formulation, execution, and evaluation of budget processes. Activities include training and tools to streamline budget execution. OTA also supports Paraguay's implementation of a Financial Management Information system to enhance the transparency of budget presentation.

¶3. (U) Relevant laws/regulations on budget disclosure include: State Financial Administration Law; and Regulatory Decree 8127100. The national budget is published with minimum delay in a government publication, in the private media, and on the internet.

¶4. (U) Finally, it is worth noting that President Lugo signed in late 2008 an executive decree establishing a new comprehensive Standard Model for Internal Control for Paraguay's public institutions. The decree mandates across all ministries and agencies the use of a standard framework for financial management and auditing methodologies and internal control procedures in line with international norms and best practices. The use of the new Standard Model is expected to significantly improve budget transparency and accountability in public institutions. The development of the Standard Model, draft presidential decree, and training on internal controls at government's largest ministries has been supported by the USAID-managed MCC Threshold Program Phase I.

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